

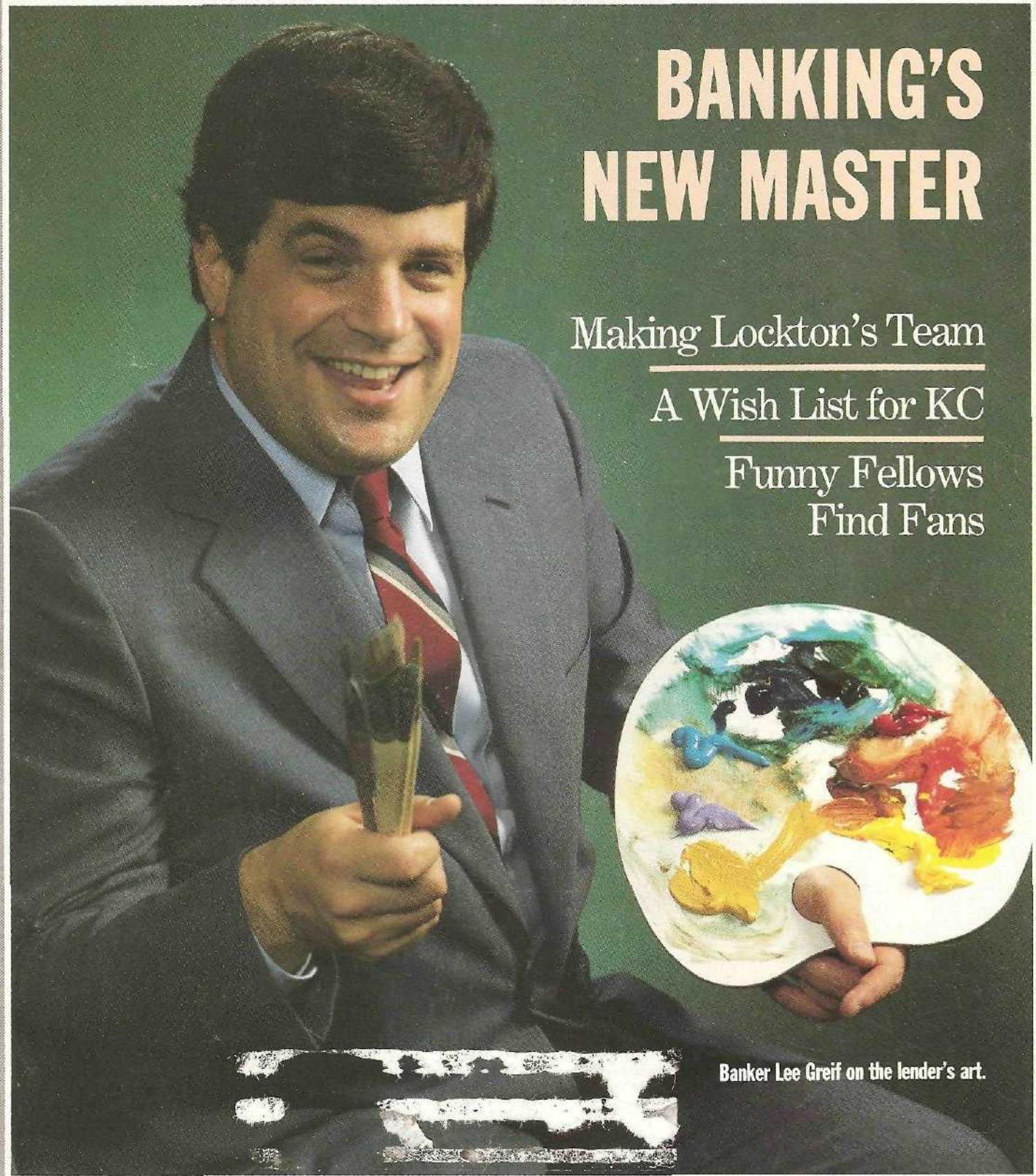
Corporate Kansas Report City

BANKING'S NEW MASTER

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Banker Lee Greif on the lender's art.

The Artful Lender

Photographs by Chuck Kneyse
Poster Courtesy of Larry Bowser
and Rosemary Smithson

Lee Greif is painting a new picture in suburban banking, and he has designs on Kansas City North and Downtown, too.

by Frederic Hron

Ask Lee Greif about banking, and sooner or later he'll get around to talking about art. In a business that's filled with figures and formulas, income statements and balance sheets, Greif says the statistics aren't worth a plug nickel when it comes to separating a good lender from an average one — or even a very poor one.

"For the most part, I would say this is not a science," the man with a string of successful suburban lending institutions says. "Very seldom can you define it down to what an engineer would accept as a reasonable standard of deviation. It's something you feel in your gut. It's an art form."

If so, then Greif (rhymes with knife) is Kansas City's young master. Seven years ago, at age 33, he bought a minority interest in his first bank. "I didn't know anything about banking," he says, although he had served as a director of Empire Bank in downtown Kansas City. "All I knew was that I had tried to borrow money and what an aggravating experience that was."

Armed with this empathy for the borrower, Greif launched a career in banking. With a relatively quick stroke — four additions in the last five years — he has flanked most of the financial community with a ring of institutions strung along the Interstate beltway from Kansas City, Kansas, to Independence.

The roster includes full ownership of Pioneer Savings and Loan Association, a McPherson, Kansas, thrift with a new office in Prairie Village; and majority ownership of Tower State Bank in KCK, Country Hill Bank in Lenexa, College Boulevard National Bank in Overland Park, and Midland Bank in Lee's Summit, which will open an Independence branch this month. All told, the Greif institutions have assets of \$464 million. Remarkably, two were started on the edge of cornfields, a third was imported from the Kansas prairie.

But the enviable thing about Greif's banks is their performance. As a group, they're returning more than 2 percent on assets, no single institution earning less than 1.5 percent. That places them among the top 10 percent of financial institutions nationwide and arguably makes the Greif banks the most successful lending group in the Kansas City metro area.

An energetic sort who fidgets like a nervous schoolboy, Greif's not content. While a deal to buy controlling interest in a life insurance company is in the works, he is eyeing banking locations in Kansas City North and Downtown, either through purchase, start-up, or expansion of his Missouri bank.



The teller's window is as good as the corner office for Lee Greif when it comes to chatting with a customer, in this case Steve Pack (left). The friendly and outgoing banker says conversations such

as this are important in keeping him knowledgeable about the deals formulating locally and other occurrences in the Kansas City marketplace.

That's the banking side of Lee Greif. It's only part of what he does. An investor since age 16, he has sizeable real estate interests: "a couple of office buildings," he says coyly, and warehouses, hotels, and apartments in five states. His personal net worth is estimated to exceed \$10 million and growing daily. Behind it all is a story that would make Horatio Alger sit up and take notice.

Several friends theorize that Greif's round-the-clock drive to succeed is grounded in a bitter childhood. "There were considerable family problems," he admits, barely hesitating to reveal this sensitive history. His parents divorced when he was 13, and three years later he moved out of his mother's house in Westport, Connecticut, and began supporting himself.

"I would say I was caught up among my parents' battles for custody, battles for control," he says. "After having been knocked around for a couple of years, I decided this wasn't for me."

In the beginning, it took four jobs and the encouragement of friends and their families to support his independence. "I used to insert sections of *The New York*

Times at 5:30 on Saturday mornings and 4:30 on Sunday mornings," Greif recalls. "Then I worked as a cashier at the candy store from 5:30 to until 2 in the afternoon. After that, I worked in a delicatessen from 2 p.m. to 6 p.m. I also worked in a parking lot at a theater during the summer at nights, during the week and on the weekend."

At other times, he worked in a supermarket, a TV repair shop, and the theater box office. "I did whatever it took. At that time, every dime was important."

Greif made more than just enough to survive. He invested the extra dimes — initially about \$500 worth of them — in the stock market, which was burgeoning during the early 1960s. It was a relatively safe way to build up his small nest egg, and Greif recalls that you could pick almost any stock in those days and make money.

By the time he was 18, Greif had moved up a league in investing. He and two friends, one of legal age, began borrowing money and purchasing property in resort areas of southern Vermont and New Hampshire. "You know, speculating on it," Greif says. The return wasn't great,

not by his standards today, but at the time he was pleased with it.

Greif now believes his early investing had great significance to his current prosperity. "At the time, I didn't have anything to lose because I didn't have any money (to speak of), so I guess I got used to taking risks," he says. "Maybe that's the key. I got used to taking risks when I didn't have any money. Once you learn how to take risks and assess the upside and the downside, you get used to it."

That's where he is today: assessing risks, figuring the upside and the downside of bank loans. Judging by the scant loan losses experienced by his banks, he's good at it.

Greif doesn't consider himself a banker, rather an investor, and he looks at loans as investments. "I'm not a trained banker," he says proudly. "I've never taken a course in banking. I have no banking background. Frankly, I'm not interested in trying to become a professional banker... I try to apply my skills to help the banks, but I don't run the banks. I just assist them in making loan judgments."

In that role, which consumes 60 to 70 of

his waking hours each week, he is an indispensable resource for his banks. Each weekday morning he meets with the loan committee of one of his banks, and his colleagues acknowledge that his opinion in those meetings carries inordinate weight — beyond that of simply the owner to that of an expert, a sage.

"He has a knack for reading income statements and balance sheets, sizing people up, and coming up with answers for ways of loaning money to them," says Saul Ellis, a developer who sits on the College Boulevard National Bank board. However, Greif isn't infallible, Ellis says, but adds in a prayerful tone, "Thank God he's usually right."

Greif believes it's important for a lender to know the current value of commodities in his community, things like real estate values, rents, the price of raw ground, laborers' wages. Even if he's not loaning on a real estate project, real estate values usually play a role — either in making the project viable or in serving as collateral.

Next, Greif relies on his instincts — his artistry if you will — to judge if the borrower is the type of person who can make a deal or a project fly. "I bet on people," Greif says, "but I don't bet 100 percent on people. They are important in the equation, but we're a secured lender."

"I don't put myself in a position where I go out and just extend a big line of credit to an individual hoping that everything works out. I believe in prayer, but I don't try to bring it into my everyday business. I don't want to be sitting around praying that I get paid back."

The biggest failing of some borrowers — and some lenders — Greif says, is poor judgment in assessing risk. Greif never relies solely on a borrower's risk analysis; he does his own. From time to time, he'll see a deal where the borrower has overestimated the risk. More often, however, it's the other way around. That doesn't mean Greif won't make the loan, though. One of his talents, observers say, is being able to work out ways to reduce risk and make a deal work.

Among bankers, Greif has developed a reputation as a shrewd real estate lender, and his banks are considered "real estate banks." It's somewhat of a misnomer. Other Johnson County banks devote larger portions of their loan portfolios to real estate and construction credits than Greif's institutions. The reputation more likely stems from Greif's ability to put together the deals that others couldn't — or wouldn't.

Burt and Sharon Truster, small-project developers working out of Independence, are a case in point. "He went out on a limb for us after we'd been turned down by 14 other banks," Burt Truster says of Greif.

Truster was trying to line up financing on the couple's first development, a uniquely styled, 10,000-square-foot strip retail center on East 23rd Street. "We were told many, many times that our first

Lee Greif talks about ...

Taking risks. "My philosophy is, I'm willing to take a risk of making a mistake that results in a body blow, but I've never been willing to take a risk that results in a knock-out punch . . . There's no glamour in taking risks just for risk's sake. I'm not a thrill-seeker. Don't get the wrong impression that I just can't wait to get to the next risk. All I'm saying is that risks are learning experiences and growing experiences, and you'd be a fool to take a risk without being able to assess the damage that could occur as a result of it."

Being aggressive. "I guess I get concerned about the word aggressive, because with the word aggressive is the implication that you are imprudent and careless and take undue risks. So I resist the word a little bit. Sometimes people who don't understand situations or are afraid of them characterize themselves as 'not being that aggressive.' I think my posture has been, I try to get into situations, try to understand them, and not to view the fact that I'm in the banking business as a convenient escape valve to say that, hey, we can't do that."

Making mistakes. "Life is full of mistakes. If you don't make them, you miss most of life . . . I think my biggest mistakes have been lessons to me, but I can't say there's been any one mistake that was just terrible. There have been numerous things that I've done that haven't worked out. But I try not to set myself up so that it's such a memorable experience that I say, 'Boy, I really lost my rear on that.'"

The importance of lending. "If you don't lend, you can't give your depositors a decent rate because the spreads are too small. If you're investing in Treasury bills, you get less than you do if you're a lender, obviously . . . So if a bank puts its money into government bonds, the bank is going to get less return. So if the bank gets less return, and it still has to pay its expenses, that means it can only afford to pay the depositors less. If you're willing to put your money into loans, you can afford to pay your depositors more because you're obviously getting a higher yield, and therefore you can pay a higher rate . . . We feel, if we're running an efficient operation, we ought to be able to use (the depositors') money and still make a profit."

Building capital. "That's very important, or you can't grow . . . You're allowed to lend 15 percent of your capital. And you have to have capital of 7 percent of your assets. So if you have, let's just say, \$100 million in assets, you have to have capital of \$7 million, and then you're allowed to lend 15 percent of your capital, which would be roughly \$1 million — to any one credit . . . The key is your ability to service your customers, and if your customers' businesses are growing, and your customers have larger credit needs, and you have legal limits that don't allow you to lend on a larger basis, you can't service your customers as they grow."

The future of banking. "There are something like 120 banks in the metropolitan area right now. That number will begin to fall as the major bank holding companies consolidate their banks into one institution . . . I think the time will come when there are probably ten or twenty banks in the metropolitan area through consolidation. I think you have a lot of suburban banks that have grown up on the Kansas side that couldn't find an affiliate, so to speak, on the Missouri side, and a lot of Missouri banks that couldn't get over to the Kansas side. Something's going to happen eventually. It just makes too much sense for it not to happen . . . It's harder for small banks who are non-affiliated with anybody else to survive."

His interest in insurance. "My expertise is certainly not insurance. I don't pretend to have a better variable rate annuity program or something like that. My expertise is on the investment side. In other words, 'What do you do with the proceeds once you have them?' Life insurance companies do the same thing banks and savings and loans do: They lend out money."

The Kansas City experience. "The exciting thing about being in Kansas City is that Kansas City has been a growing and constantly evolving entrepreneurial experience in the last five to seven years. There are certainly those people who will say, 'Well, we can't do this or we can't do that.' But I find that those numbers are diminishing and that you really don't have to worry about those people. This city is open enough that entrepreneurs can survive. This city has changed."

Lee Greif. "There's always the temptation to try to say the exceptional, or to step out and say, 'What I really am is a wild and crazy lender or liberal lender.' . . . I may be representative of a growing entrepreneurial spirit in this city, but I try to do it with reason and not, 'We'll lend to anybody on anything.' I view the banking business as a very serious business." □

location was wrong and that the rents were too high," he says.

But Greif believed. And even more surprisingly, Truster says, he had an answer for the first-time customers within 36 hours. "Normally, it takes a week or two from most lenders. Lee will give you a decision in a day or two," Truster says.

The Trustees have gone on to build several successful East-side projects since meeting Greif in 1984. They've moved from strip retail to small office buildings and now into residential subdivisions, and Burt Truster pledges: "Lee gets first shot at everything we do."

Greif works out of a no-nonsense office tucked into the back corner of the College Boulevard National Bank, a bank he started in a trailer on the corner of College Boulevard and Roe Avenue and nurtured into an \$80 million institution in four years. The office is small and windowless; his desk and bookcase are backed up against one corner. Customers in the bank lobby can get a clear shot of Greif hunched over that desk, a study in concentration.

He's a big man, about 6-foot-2, who's beginning to wear his prosperity around his middle. When not tied to his desk, Greif roams the bank lobby, engaging depositors in small talk or gathering key people for an impromptu meeting with a borrower.

College Boulevard National Bank is the stonehenge of College Boulevard — massive slabs of gray concrete fastened to a three-story frame. But Greif, by all accounts a frugal man when it comes to business trappings, is proud of it. He motions across Roe Avenue to the pretty, red-brick home of Overland Park State Bank — controlled by Downtown banking scion R. Crosby Kemper — and points out that its upper two floors are vacant, while his building is fully leased.

Greif says he's got a bank on this corner because Downtown's monolithic institutions weren't getting the job done in the suburbs.

"The Downtown banks have a considerable amount of economic potential and clout," begins Greif's dissertation on the subject. "But obviously, they were not filling a need that existed in the suburbs. The prosperity of my banks and some of the other banks shows that . . . These Downtown banks had all the marbles; they had all the opportunities, and it seems to me they missed them, and people were looking for alternatives."

What Greif is delicately saying is that the Downtown banks were either too arrogant, too slow, too insensitive to small borrowers' needs, or too unimaginative — perhaps just scared — to make deals work. That's where Greif and other suburban bankers have chiseled their niche.

"You know, I knew in forming these two banks (Country Hill and College Boulevard) that what the city does not need is another bank," he says with disdain for that final word. "If I'm going to operate the same way as the big banks Downtown,

The Greif Group

Country Hill Bank

(Chartered 1979)

Assets: \$59 million (+ 48%)

Return on assets: 1.88%

Return on equity: 28.98%

Annualized income: \$1.06 million

College Boulevard National Bank

(Chartered 1982)

Assets: \$80 million (+ 71%)

Return on assets: 1.54%

Return on equity: 21.44%

Annualized income: \$1.14 million

Tower State Bank

(Acquired 1983)

Assets: \$56 million (+ 26%)

Return on assets: 1.95%

Return on equity: 25.79%

Annualized income: \$1.05 million

Midland Bank

(Acquired 1984)

Assets: \$135 million (+ 26%)

Return on assets: 2.16%

Return on equity: 31.15%

Annualized income: \$2.79 million

Pioneer Savings and Loan Association

(Acquired 1985)

Assets: \$134 million (+ 117%)

Return on assets: 2.31%

Notes: All figures as of June 1986; asset growth reflects increase during prior 12 months; annualized income calculated using reported income for first six months of 1986. Data compiled by Sheshunoff Rating Services, Inc.

I'm not going to survive.

"We need a niche, we need a style of business that gives the customers a reason to do business with us. And that primarily has been that we work on being responsive to the customers' needs. We try to understand their loans from a business point of view, not from a bank point of view; we take the philosophy that not every loan is a threat to our existence."

Greif thinks the Downtown banks don't work hard enough at understanding the deals borrowers want to make or the value of collateral they offer. "Lending money is an art form in which the first rule is you must understand what you are lending on, that is, what your collateral is," Greif says. He likes to think his banks take a more stu-

dious approach than most.

The second stroke of the lender's art, Greif says, is being attentive to the needs of the borrower, an area of particular neglect among the big banks. A businessman's deal may be withering on the vine while his loan request lumbers through a series of committee meetings filled with loan officers not empowered to give a yeah or a nay. Greif, on the other hand, personally meets with many of his borrowers, and when he promises a swift reply — that's his standard promise — he delivers.

His meetings with borrowers are quick and to-the-point. No small talk, one friend says, because "Lee understands the time demands of business people." One borrower, William Worley of the Russell-Worley Co., says, "You can drive up, talk to the guy for 15 minutes, show him your stuff, and be through with it."

Greif's also very forward. "He's not shy about telling you, 'The problem you have with this project is this pivotal point,'" says Mark Simpson, a banking consultant who has helped Greif with several of his acquisitions and start-ups and who was Greif's partner when Greif owned a small stake in Citizens' Bank of Kansas.

Greif's not timid about issuing a critical opinion on a project or asking the hard questions. Simpson says borrowers who've dealt with him and come away empty-handed will say, "Lee didn't give us enough time" to answer questions. "When you press them," Simpson says, "it's more like Lee asked them questions they wished they wouldn't have been asked."

Making informed judgments and giving quick answers is a time-consuming job. Greif says he devotes about six-and-a-half days a week to it, and the rest of the time is given to his wife and two young sons. His business day starts with an hour or so of reading every morning, then he fills the breakfast, lunch, and dinner slots with people he wants to see. His customers know they can call him at night and on weekends if they have problems. In fact, he prefers to schedule some of his weightier business sessions on the weekends because he can escape the ever-demanding phones.

Greif thinks quickly and talks quickly, in self-assured bursts. "If you looked up 'Type A' in the dictionary, there'd be a picture of him," says Worley. "He has trouble eating because he moves so fast."

Saul Ellis, who is teaming with Greif to build an apartment complex at 101st and Holmes Road, describes Greif's personality as "active. He's always encouraging people," Ellis says. "He's always pushing, having dinner or lunch with someone."

Ellis believes Greif developed his people skills, which stand him in good stead during frank talks with borrowers, during the decade he spent working as an aide and later chief-of-staff for two congressmen. "I feel that's where he got his training to deal with people and his training in timing," Ellis says.

Yes, before banking, and in addition to

his investing, Greif has spun through a cycle of careers, beginning with law, then politics, then retailing.

Greif was a popular collegian, earning the honors of student body president at the University of Connecticut and being named head of his fraternity, Sigma Alpha Epsilon. After his sophomore year, he was chosen for a paid summer internship with Congressman Emilio Daddario, a Democrat who represented Connecticut's first district, including Hartford.

Based on that one summer's performance, Greif earned a part-time spot on Daddario's staff for the rest of his college and law school years, working when he could in the congressman's Hartford office and in Washington, D.C. In 1971, after Daddario had given up his seat for a run at the Connecticut governorship, Greif, by then a law school graduate, signed on with freshman representative Peter Peyser, a New York Republican, and soon became his chief of staff.

"He represented the area that Nelson Rockefeller lived in, and through that I got to know a lot of the Rockefeller people and did a lot of work with them on projects," Greif mentions casually. He also managed two of Peyser's successful re-election campaigns.

By the end of his second campaign, however, Greif had tired of his government career, and he saw little future in working for someone else. He had a healthy portfolio of personal investments and a new wife, Randee, an aide to Missouri's Senator Thomas Eagleton. Her family was beckoning him to Kansas City to help run its retail business.

So, in 1975 Greif came west, taking over the reins of Adler's clothing stores from his father-in-law, Kenneth Krakauer, who was recovering from open-heart surgery. Greif further hastened his introduction to the Kansas City business community by shifting his personal investments into real estate development in Johnson County.

What followed were somewhat difficult years. The development business treated him well, but retailing and family business were not to his liking. Greif avoids talking about this era, saying it would only create family discord.

Friends say he served as Adler's president for four years out of a sense of obligation. "As an outsider, it seems to me his talents would have been wasted in the retail business," says Saul Ellis. "He's a dealmaker, and he strives on the excitement of putting things together. Retail is a very detail business. It would cramp his style."

After Greif's father-in-law recovered and renewed his involvement in the business, there were disagreements about how the company should be run, friends say. Greif left in 1979 to pursue his banking interest, and Adler's slowly retrenched from the 13-store chain it had once been. In 1983, the last of the Adler's stores were closed.

Greif sees little peculiarity in his shifts in career or the incongruity of stepping from Eastern bureaucrat to Midwestern retailer. "I learned very early on — and that is the key — that if you try hard, you can do things," he says, the words coming slowly, in waves. "That sounds very trite, but I went to the University of Connecticut having nothing, and basically, by persistent effort and a lot of hard work — and trying not to be fearful — I was able to get elected to some positions and I was able to do fairly well. I decided I was going to be a survivor."

"When I went to Washington, I found myself nominating myself for key jobs — working on Capitol Hill and dealing with

some of the major people in this country — and here, I was just a young kid who had promoted myself. The more I've done that, the more I've realized that is probably important."

Greif pauses. "I think that carries through here to the banking situation, to what I'm presently doing . . . A number of people told me, 'You can't start a bank. We don't need another bank. Johnson County is overbanked. College Boulevard is overbanked. It's overbuilt. It's gonna go . . .' Well, you make a decision in life. I find that if you make a decision and stick with it and work as hard as you can, you can be successful. It's the American system. That hard work is rewarded."

"The Boys Club helped us beat the streets."

Edward James Olmos

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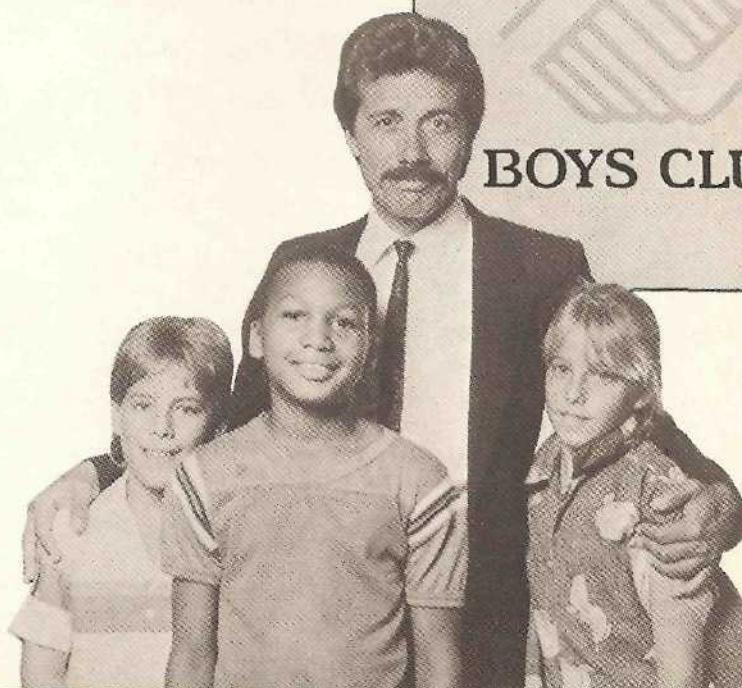
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Photograph by J.E. Clark